

Theoretical Foundation: Corporate Citizenship

Seminar in Corporate Social Responsibility
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Corporate Citizenship

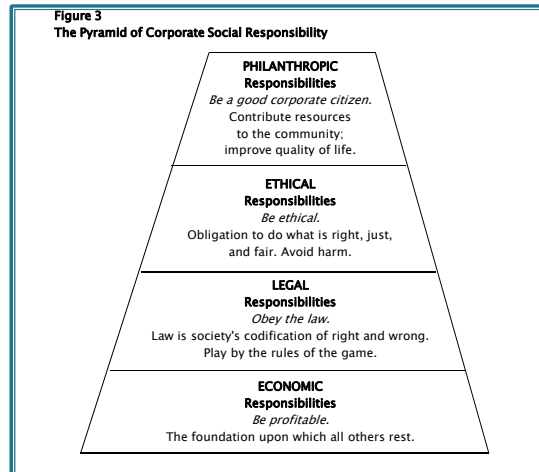
- ▶ Corporate Citizenship = corporation as a citizen, with its rights and duties
- ▶ The corporation forms a community with other citizens
- ▶ Corporate Citizenship as a concept was established in 1990s -> roots in CSR and stakeholder theory
- ▶ Corporations like to call themselves "citizens"

Corporate Citizenship statements

- ▶ Nokia: "Our goal is to be a good corporate citizen wherever we operate, as a responsible and contributing member of society."
- ▶ Nike: "Our goal is to be an innovative and inspirational global citizen in a world where our company participates. Every day we drive responsible business practices that contribute to profitable and sustainable growth."
- ▶ Ford: "Corporate citizenship has become an integral part of every decision and action we take. We believe corporate citizenship is demonstrated in who we are as a company, how we conduct our business and how we take care of our employees, as well as in how we interact with the world at large."

(Matten - Crane 2005)

Four faces of Corporate Citizenship (Carroll 1998 and 1991)



Critique on the current usage of CC

- ▶ *Limited view of CC:* corporation should "give something back" to community, philanthropy
- ▶ CC motivated by firm's self-interest
- ▶ *Equivalent view of CC:* new way of presenting existing concepts, mainly CSR
- ▶ -> No reason for new terminology

(Matten - Crane 2005)

Critique on the current usage of CC

- ▶ *The quality of the citizenship of an organisation is demonstrated by how well it understands the nature of these influences and relationships [in a society] and manages them in a way that balances the organisation's objectives with the needs and expectations of society. (Marsden - Andrioff 1998)*
- ▶ Good citizenship vs. bad citizenship?

Developing the concept of CC

- ▶ Nation state can no longer protect its citizens' *civil rights, social rights* and *political rights* -> citizenship
- ▶ *Extended view of CC*: Corporations as protectors of peoples' rights
- ▶ Corporations are not like citizens, they're powerful political actors, like states

(Matten - Crane 2005)

Globalization

The effects of globalization on business

- ▶ MNE's are powerful economic and social agents
 - Ability to control enormous amounts of resources
 - Ability to choose locations and legal systems under which they operate
- ▶ Globalization lowers the barriers to moving activities beyond the control of the original government
- ▶ International law doesn't apply to businesses as such

The effects of globalization on business

- ▶ Globalization has changed the demands being placed on corporations
- ▶ Corporations are expected to have a sense of morality and engage in social activities

The decline of nation state

- ▶ Globalization has brought forth a multitude of new social and political actors (e.g. NGO's)
- ▶ -> power decentralizes
- ▶ New national, ethical or religious identities
-> Government is not the only source of political identity

The decline of nation state

- ▶ Why are nation states losing their ground?
 - States are facing global problems which exceed territorial boundaries (AIDS, global warming...)
 - Globalization creates a regulatory vacuum
 - International institutions (UN) can't sufficiently fill gaps in regulations (principle of sovereignty)

 - Politicians fail to act -> people lose faith in politics
-> people turn to corporations (Hertz 2001)

 - Nation states have prioritized global economy and free flow of capital (Falk 2000)

The changing roles of states and business

- ▶ Three cases where corporations take responsibilities that used to belong solely to governments (Matten - Crane 2005)
 - 1. Government ceases to administer citizenship rights
 - 2. Government has not yet administered citizenship rights
 - 3. Administration of citizenship rights may be beyond the reach of nation state governments

Forest Stewardship Council (FSC)

- ▶ The United Nations Conference on Environment and Development (UNCED) in 1992 failed to develop shared standards for protecting forests world-wide
- ▶ Group on NGO's and corporations wanted to fill the global governance gap
- ▶ FSC was founded in 1993



Forest Stewardship Council (FSC)

- ▶ Certification and accreditation system covering all forest types was developed
- ▶ Today the organisation includes a wide range of members both in corporate and civil society sectors



–>Corporations can change policies and institutionalize norms (Scherer – Palazzo 2007)

Critical assessment

The "business case" of CC

- ▶ *Instrumentalist view of CSR* -> applies to CC as well
- ▶ Social invests have a positive effect on financial performance
- ▶ Corporate Citizenship as mandatory? -> legitimacy of operations

Corporations' long-term interest

- ▶ Corporations not only as philanthropic actors
-> strategic aspect of CC
- ▶ "Self-inlightened philanthropy": committed employees, good reputation, loyal clients
- ▶ Socially, economically and ecologically stabile environment is beneficial to corporation

The ambivalent role of business

- ▶ Business as the problem or the solution?
- ▶ *What a company can afford in terms of corporate citizenship is partly determined by the institutional setting of the market conditions in which it has to operate. This condition is partly outside of its control, and as such **the company cannot be held entirely responsible.** (Jeurissen 2004)*
- ▶ Corporations face increasingly higher demands
-> Is it possible to find consensus or widely accepted standards in a global world?

The ambivalent role of business

- ▶ *Social investment and social justice will never become their [business'] **core activity**. – – Their motives are commercial rather than moral, and so will be subject to market vagaries. For it is, of course, those social concerns deemed most popular by their customers that will be embraced by corporations in the West. – – And in a world where welfare and social justice are increasingly left to the market, minority interests or unattractive causes may well get pushed aside. (Hertz 2001)*

The ambivalent role of business

- ▶ What if corporations decide not to be involved in CC?
- ▶ If corporation takes government's duties and tasks, it should also assume similar accountability
- ▶ Companies are only accountable to their owners

Questions for discussion

- ▶ Is there really a need for the concept Corporate Citizenship?
- ▶ Is Corporate Citizenship a threat to democracy?
- ▶ Is it reasonable for corporations to take over governments responsibilities? What about in countries with no Rule of Law?

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